

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

ACDA-05 COME-00 AID-05 EB-07 CIEP-01 TRSE-00 STR-04

OMB-01 CEA-01 FRB-03 IGA-02 MC-02 JUSE-00 /099 W

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P R 200202Z FEB 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 7027

INFO AMEMBASSY OTTAWA

COMUSJAPAN YOKOTA JAPAN

CINCPAC HONOLULU HAWAII//J4/J46

SECDEF WASHDC OASD/ISA/DSAA

CNO WASHDC/OP63

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 2501

CINCPAC ALSO FOR POLAD

E. O. 11652: GDS

TAGS: MARR, PINT, JA

SUBJ: THE LOCKHEED SCANDAL AND JAPAN'S ASW DECISION

SUMMARY: THIS MESSAGE PROVIDES BACKGROUND INFORMATION AND COMMENT ON THE RELATIONSHIP OF THE LOCKHEED SCANDAL TO JAPAN'S CHOICE OF A NEW ANTISUBMARINE WARFARE AIRCRAFT. END SUMMARY.

1. THE BACKGROUND. SINCE THE LATE 1960'S THE CHOICE OF A NEW ASW AIRCRAFT (DESIGNATED FOR THE INTERIM AS THE PXL) TO REPLACE JAPAN'S AGEING FLEET OF P2J'S HAS BEEN ONE OF THE MAJOR ISSUES FACING JAPANESE DEFENSE PLANNERS. AT THE OUTSET THESE PLANNERS WERE INCLINED TO FAVOR ADOPTION OF THE U.S. NAVY P3C, THE MOST MODERN ANTISUBMARINE AIRCRAFT AVAILABLE THEN OR NOW. THE U.S. HOWEVER, WAS UNWILLING TO RELEASE THE P3C FOR SALE OR OVERSEAS LICENSED PRODUCTION LARGELY DUE TO ITS HIGHLY SOPHISTICATED AVIONICS EQUIPMENT. INSTEAD IT OFFERED THE P3B, BASICALLY THE SAME AIRFRAME BUT WITH AN AVIONICS

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SUITE A FULL GENERATION BEHIND THAT OF THE P3C. IN THE FACE OF THIS

U.S. POSITION, THE JAPANESE TURNED INSTEAD TO CONSIDERING DOMESTIC DEVELOPMENT OF THE PXL. THE DECISION ON THE MATTER WAS EXPECTED TO BE TAKEN SIMULTANEOUSLY WITH GOJ ADOPTION OF THE FOURTH DEFENSE BUILDUP PLAN.

2. IN 1971, HOWEVER, THE U.S. BEGAN INTENSE DISCUSSIONS WITH THE GOJ TO FIND MEANS OF DEALING WITH THE DETERIORATING U.S.-JAPAN TRADE BALANCE. AMONG OTHER THINGS, THE U.S. PRESSED HARD FOR JAPANESE COMMITMENTS TO INCREASE IMPORTS FROM THE U.S., INCLUDING IMPORTS OF MILITARY HARDWARE. IN EARLY 1972 THE CHIEF OF THE EQUIPMENT BUREAU (A POSITION FILLED FROM MITI) OF THE JAPAN DEFENSE AGENCY (JDA) ASKED IN THIS CONTEXT WHETHER THE U.S. COULD RECONSIDER ITS POSITION ON THE P3C. IN RESPONSE, DOD INDICATED WILLINGNESS TO MAKE THE P3C AVAILABLE FOR OFF-THE-SHELF PURCHASE OR LICENSED PRODUCTION IN JAPAN. SUBSEQUENTLY IN OCTOBER 1972 THE NATIONAL DEFENSE COUNCIL (CHAIRLED BY PM TANAKA) APPROVED THE FOURTH DEFENSE BUILDUP PLAN AND ORDERED A RESTUDY OF THE PXL QUESTION. THE SUBSEQUENT STUDIES INCLUDED CONSIDERATION OF ALL ELIGIBLE FOREIGN ASW CANDIDATES (FRENCH ATLANTIQUE, BRITISH NIMROD, AND U.S. P3C) AS WELL AS DOMESTIC DEVELOPMENT. BY LATE 1974, THE ONLY REMAINING CANDIDATES WERE THE P3C, JAPANESE DOMESTIC DEVELOPMENT OR SOME COMBINATION OF THESE TWO. IT WAS CONTENTPLATED THAT A DECISION ON THE PXL WOULD BE REACHED AND TWO PROTOTYPES PRODUCED OR PROCURED BY THE END OF THE FOURTH BUILDUP PLAN IN 1976.

3. NOT UNEXPECTEDLY HOWEVER DEFENSE PLANNERS HAVE UNTIL NOW BEEN UNABLE TO REACH A DECISION IN LARGE PART BECAUSE OF THEIR INABILITY TO RESOLVE FUNDAMENTAL DIFFERENCES BETWEEN THOSE FAVORING DOMESTIC DEVELOPMENT OF A PXL AND ADVOCATES OF THE P3C. INDUSTRY HAS OF COURSE TENDED TO SUPPORT DOMESTIC DEVELOPMENT BUT THIS HAS ALSO BEEN FAVORED BY IMPORTANT ELEMENTS EVEN WITHIN THE JAPAN DEFENSE AGENCY. THE MARITIME SELF DEFENSE FORCE, AFTER INITIALLY FAVORING DOMESTIC DEVELOPMENT, HAS COME TO FAVOR THE P3C PARTICULARLY AS THEIR STUDY RESULTS INCREASINGLY SHOWED THE CLEAR CUT MARGIN OF P3C SUPERIORITY OVER OTHER FOREIGN CONTENDERS OR ANYTHING WHICH JAPAN COULD HOPE TO PRODUCE IN THE NEAR FUTURE. IN AN ATTEMPT TO BRIDGE THESE DIFFERENCES, THE JDA HAS ON SEVERAL OCCASIONS PROBED THE U.S. TO DETERMINE WHETHER WE WOULD PROVIDE THE P3C AVIONICS SUITE (OR ITS CRITICAL ELEMENTS) FOR INSTALLATION IN A DOMESTICALLY DEVELOPED AIRFRAME. SOME JAPANESE HAVE SEEN THE ADDED ADVANTAGE IN

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THIS APPROACH OF ACCELERATING JAPAN'S ACQUISITION OF HIGH TECHNOLOGY SOFTWARE AS REPRESENTED IN THE P3C AVIONICS. WE HAVE RESISTED THIS APPROACH HOWEVER AND UNTIL EMERGENCE OF THE LOCKHEED SCANDAL, IT APPEARED THAT JAPAN WAS MOVING INEXORABLY TOWARDS A DECISION SOMETIME THIS FALL TO ACQUIRE THE P3C,INITIALLY ON A LIMITED OFF-THE-SHELF PURCHASE AND EVENTUALLY FOR LICENSED PRODUCTION.

4. THE PRESENT SITUATION. THE LOCKHEED SCANDAL HOWEVER HAS THROWN THE ENTIRE PXL QUESTION INTO A COCKED HAT. INVOLVEMENT OF THE LOCKHEED NAME ALONE WOULD HAVE BEEN SERIOUS ENOUGH TO CAUSE PROBLEMS FOR THE PXL DECISION. JDA VICE MINISTER KUBO'S DRAMATIC ASSERTION THAT THEN PM TANAKA HAD INTERVENED IN FAVOR OF THE P3C FOR POLITICAL REASONS AT THE TIME OF THE 1972 NATIONAL DEFENSE COUNCIL CONSIDERATION OF THE PXL MATTER AND SUBSEQUENT REVELATIONS OF A LOCKHEED CONTRACT DATING FROM THE SAME TIME WITH KODAMA TO PROMOTE P3 SALES HAVE THRUST PXL QUESTION RIGHT INTO THE HEART OF THE PRESENT POLITICAL CRISIS SURROUNDING THE LOCKHEED SCANDAL. IN CONTRAST TO THE TRI-STAR ASPECT OF THE SCANDAL, THE P3 ANGLE GIVES THE OPPOSITION AN OPPORTUNITY TO POINT DIRECTLY AT GOVERNMENT INVOLVEMENT AND SUCH OPPOSITION CHARGES ARE REINFORCED BY LINGERING RUMORS OF LOCKHEED SKULDUGGERY IN THE LATE 1950'S WHEN JAPAN UNEXPECTEDLY ADOPTED THE F-104 STARFIGHTER RATHER THAN A COMPETING GRUMMAN AIRCRAFT. LOST IN THE DIN HOWEVER IS THE FACT THAT AT NO STAGE HAS THE GOJ ACTUALLY MADE A DECISION FOR OR AGAINST THE P3C.

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

ACDA-05 COME-00 AID-05 EB-07 CIEP-01 TRSE-00 STR-04

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INFO AMEMBASSY OTTAWA

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SECDEF WASHDC OASD/ISA/DSAA

CNO WASHDC/OP63

C O N F I D E N T I A L FINAL SECTION OF 2 TOKYO 2501

CINCPAC ALSO FOR POLAD

5. CHIEF CABINET SECRETARY IDE HAS ALREADY ANNOUNCED THAT THE GOJ WILL RECONSIDER FROM SCRATCH THE PXL MATTER. OVER THE LAST FEW DAYS A VARIETY OF SOURCES IN THE JAPAN DEFENSE AGENCY, MITI, AND THE FINANCE MINISTRY HAVE BEEN QUOTED IN THE PRESS AS FAVORING DOMESTIC DEVELOPMENT OF THE PXL AND THERE HAS BEEN EXTENSIVE PRESS SPECULATION THAT THE SCANDAL HAS KILLED PROSPECTS FOR THE P3C. HOWEVER AT HIS FEB 19 PRESS CONFERENCE, PM MIKI WAS MORE CIRCUMSPECT STATING THAT THE PXL MATTER WOULD BE CONSIDERED VERY CAREFULLY BUT FLATLY DENYING THAT A DECISION HAD YET BEEN MADE. OTHER JDA SOURCES HAVE BEEN QUOTED AS DENYING THAT A DECISION HAS BEEN MADE AGAINST THE P3C AND AS BELIEVING THAT THE P3C WILL ULTIMATELY BE CHOSEN BECAUSE OF ITS CLEAR SUPERIORITY. SIMILAR STATEMENTS SUPPORTING THE P3C HAVE COME FROM SELF DEFENSE FORCE SOURCES.

6. PROSPECTS. WE BELIEVE THAT IT WILL BE SOME TIME BEFORE WE CAN ACCURATELY JUDGE THE ULTIMATE IMPACT OF THE LOCKHEED SCANDAL ON PXL SELECTION. CLEARLY THERE WILL BE SOME DELAY AND, EQUALLY
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CLEARLY, ADVOCATES OF DOMESTIC PRODUCTION HAVE ALREADY BEGUN TO EXPLOIT THE SCANDAL. NEVERTHELESS, AS THE DUST SETTLES, OFFSETTING VOICES WILL EMERGE. DEFENSE PLANNERS ATTACH HIGH PRIORITY TO IMPROVING JAPAN'S ASW CAPABILITY AND JAPAN DOES NEED A NEW ASW AIRCRAFT. FROM A MILITARY POINT OF VIEW THE P3C IS CLEARLY THE BEST CANDIDATE AVAILABLE ON A TIMELY BASIS. FINALLY P3C SELECTION WOULD ALSO FIT BEST WITH THE PLANS OF THOSE SERIOUSLY INTERESTED IN INCREASING DEFENSE COOPERATION WITH THE U.S. THUS WHILE WE CANNOT DENY THE FACT THAT P3C PROSPECTS HAVE BEEN DAMAGED, THERE ARE OFFSETTING CONSIDERATIONS WHICH WILL PROBABLY COME INTO PLAY BEFORE ANY DECISION IS REACHED.

7. AT BEST HOWEVER, WE MUST EXPECT SOME DELAY IN THE PXL DECISION. WE ARE HOPEFUL THAT THE GOVERNMENT'S ANNOUNCEMENT THAT THE PXL SELECTION WILL BE RECONSIDERED AFRESH WILL RELIEVE PRESSURE FOR AN IMMEDIATE IRREVERSIBLE POLITICAL DECISION AGAINST THE P3C. IT SEEMS LIKELY THAT THE REVIEW PROCESS WILL GRIND SLOWLY OVER THE EARLIER PATH, RECOGNIZING ALONG THE WAY THE OPERATIONAL LIMITATIONS, COSTS, AND DELAY INHERENT IN DOMESTIC PRODUCTION AND PROBING AGAIN U.S. WILLINGNESS TO RELEASE CRITICAL AVIONICS FOR USE IN A DOMESTIC AIRCRAFT.

8. IF, AS THIS SUGGESTS, THE GOJ RETURNS EVENTUALLY TO SERIOUS CONSIDERATION OF THE P3C WE BELIEVE THAT THEY WILL BE SEARCHING FOR SOME WAY TO DISTANCE THEMSELVES FROM DIRECT DEALINGS WITH LOCKHEED, PERHAPS THROUGH SOME FORM OF GOVERNMENT TO GOVERNMENT, ARRANGEMENT COMBINED WITH LICENSED PRODUCTION SCHEMES INVOLVING U.S. SUBCONTRACTORS. WE BELIEVE THAT IT WILL BE MOST DIFFICULT FOR JAPAN TO PERMIT ANY TYPE OF DIRECT COMMERCIAL ARRANGEMENT WITH LOCKHEED. WE SHOULD BEGIN TO CONSIDER IN WHAT WAYS WE CAN BE HELPFUL TO THE GOJ

IN DEALING WITH THIS POLITICALLY SENSITIVE ASPECT.

9. US STANCE. IN THE MEANTIME OUR BEST COURSE WILL BE TO MAINTAIN A LOW PROFILE ON THE P3C. AS OPPORTUNITIES FOR DISCUSSION OF THE PXL ISSUE EMERGE HOWEVER, WE SHOULD NOT FEEL HESITANT ABOUT DEFENDING THE MERITS OF THE P3C AS THE BEST POSSIBLE GOJ APPROACH TO ITS ASW NEEDS STERRING THE DISCUSSION INTO OBJECTIVE CONSIDERATION OF THE MILITARY MERITS OF THE P3C, BOTH FROM THE NARROWER ASPECTS OF JAPANESE DEFENSE NEEDS AND FROM THE BROADER VANTAGE OF COMPLIMENTARITY WITH THE US FORCES. IN THIS PROCESS WE SHOULD RESIST WHAT PROBABLY WILL BE INITIALLY STRONG PRESSURES TO PERMIT IMPORT OF THE
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P3C AVIONICS ALONE.

10. THIS MESSAGE COORDINATED WITH MDAO.
HODGSON

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